State of Washington
Decision Package

Agency:	**310**	**Department of Corrections**
Decision Package Code/Title:	**9X**	**Self-Insurance Premiums**

Budget Period: 2007-2009

Budget Level: PL – Performance Level

Recommendation Summary Text:
The Department anticipates a significant reduction in premium rates for the state's Self-Insurance Liability Program.

Agency Total

Fiscal Detail	**FY 2008**	**FY 2009**	**Total**
Operating Expenditures			
001-1 - General Fund - Basic Account-State	($5,900,000)	($5,900,000)	($11,800,000)

Staffing	**FY 2008**	**FY 2009**	**Annual Average**
FTEs	N/A	N/A	N/A

Program 600-Interagency Services

Fiscal Detail	**FY 2008**	**FY 2009**	**Total**
Operating Expenditures			
001-1 - General Fund - Basic Account-State	($5,900,000)	($5,900,000)	($11,800,000)

Staffing	**FY 2008**	**FY 2009**	**Annual Average**
FTEs	N/A	N/A	N/A

Package Description

Washington State is self-insured for tort liability. The Department's tort liability arises from a number of areas including allegations of negligent supervision, vehicle accidents, injury to offenders or visitors, loss or damage to property, and employment related claims. The Department participates in the state self-insurance liability program and pays annual premiums based on past claims activity and reserves on pending claims. In exchange for premium payments, the Department's tort liabilities are paid from the self-insurance liability account or from the excess commercial insurance. Beginning in Fiscal Year 2001, defense costs were included in the self-insurance program.

The premium allocation methodology was changed for the 2005-2007 Biennium. The changes removed a limit on losses and allocates premium based on losses using a pro-rata share (prior was based on positions).

Self-Insurance Liability Program Premiums*:

2001-2003 Biennium	2003-2005 Biennium	2005-2007 Biennium	2007-2009 Biennium
$20,586,494	$28,831,411	$39,229,276	27,427,199

**Self insurance premiums include defense costs.*

The Department's premium for the 2007-2009 Biennium has decreased by $11,800,000 due to reduction in losses of the Department and to a lesser degree, a reduction of the State's overall losses.

Loss Trend Information:

	FY01	FY02	FY03	FY04	FY05	FY06
Neg Sup*	$13,895,000	$3,367,500	$8,781,000	$ 66,000	$4,988,287	$8,256,993
Other	$ 1,207,38	$ 491,210	$1,817,056	$1,049,886	$ 456,826	$1,425,957
Total	$15,102,384	$3,858,710	$10,598,056	$1,115,886	$5,445,113	$9,682,950

**Negligent supervision claims are allegations that an offender on supervision in the community was not properly supervised and as a result a member of the public was seriously injured or killed.*

During the last six years, approximately 85 percent of the Department's paid liability arises from claims alleging negligent supervision. The remaining 15 percent of the paid liability results from all other claims of liability against the Department including employment claims, injury to offenders or visitors, vehicle accidents, and loss or damage to property. Losses for claims other than negligent supervision swing from a low of $500,000 to a high of $1,800,000, while losses from negligent supervision swing from a low of $66,000 in Fiscal Year 2004 to a high of $13,800,000 in Fiscal Year 2001.

Future Loss Trends:
It is likely negligent supervision will continue to be the single significant liability facing the Department. There are several reasons for this continued trend.

Fist, there are approximately 15 pending negligent supervision cases arising from events that occurred from 1998 to present.

Secondly, the Department has had limited success in defending against claims of negligent supervision. The Department's Court of Appeals overturned a $15,000,000 verdict in a case alleging negligence in supervision of an offender only on supervision for collection of debt. The result of that case is the Department does not have liability for the actions of offenders who are only on supervision for collection of debt. In another less favorable case, the Supreme Court while reversing a verdict of $22,500,000, reaffirmed that the Department could be liable for the actions of offenders even where there is no clear nexus between the criminal activity and those for which the offender was under supervision.

Finally, the legislature continues to take a hard view of proposed legislation that limits liability.

An area of non-tort liability facing the Department arises from risk associated with failure to properly comply with public disclosure rules. The Department is experiencing increases in the number of requests, particularly from offenders. Also, requests are more complex and broad requiring more staff time and diligence.

Risk Management Goals and Measures/Recap:
The Department will use the following strategies to mitigate/preclude losses from occurring in the future:

- Emphasis on re-entry of offenders into society following incarceration.
- Implementation of a Reception Diagnostic Center platform where offender needs will be assessed and a plan developed to address needs as the offender progresses through the corrections system.
- Report and review critical incidents and implement corrective actions where necessary
- Continue development and implementation of the automated Offender Management Network Information.
- Use of the Government Management, Accountability, and Performance platform to identify and address critical needs and to focus on risk.
- In partnership with the Office of Financial Management (OFM) – Risk Management Division and Office of the Attorney General, aggressively manage tort cases.
- Annual review of all Department policies.

Risk Management Executive Order:
The Department has taken the following actions to comply with the Risk Management Executive Order:

- The Secretary of the Department serves on the Risk Management Advisory Committee.
- Enhanced the Department Risk Management program by elevating the risk management program to report directly to the Department Secretary.
- Participate on the Loss Prevention and Risk Finance subcommittees of the Risk Management Advisory Committee.
- Identified the highest areas of risk through trend analysis.
- Focused resources to those offenders that pose the highest risk of harm to the public, as directed by OAA.
- Provided thousands of hours of staff and management training.
- Allocated resources to the greatest extent feasible to community corrections programs where the greatest liability risk exists.
- Annual review of policies.

Agency Risk Management Goals, Performance Measures, and Progress:

- Focus on risk through GMAP process.
- Mitigate risks associated with public disclosure, construction, and community supervision.
- In partnership with OFM Risk Management and the Office of the Attorney General conduct early case assessments and develop case strategies.
- Participate in early case resolution when appropriate.
- Review of incidents and development of action plans to address areas needing improvement.

Narrative Justification and Impact Statement

How contributes to strategic plan:
This request is critical to agency activities, the strategic plan, and statewide results. The request ensures that the Department has the necessary resources to maintain current levels of service and performance.

This request is required to sustain the agency activities *Core Administration.* The resources identified will be directed to support the agency objectives to meet the business administration needs of the agency. The strategy is to deploy new business practices and technology systems. These objectives and strategies move the Department closer to meeting its high-level organizational goals developing improved business practices and tools that are responsive, effective, and efficient. These high-level goals are intermediate outcomes and assist the Department in achieve statewide results that will reduce re-offense behavior and improve the safety of people and property.

Performance Measure Detail
No measures were submitted for this package.

Reason for change:
The reason for the change is due a-reduction in losses of the Department and to a lesser degree, a reduction of the State's overall losses.

Impact on clients and services:
The reduction will not affect the Department's ability to maintain its current level of service.

Impact on other state programs:
N/A

Relationship to capital budget:
N/A

Required changes to existing RCW, WAC, contract, or plan:
N/A

Alternatives explored by agency:
None. The Department is required by statute, RCW 4.92.130 and RCW 4.92.160 to participate in the Self-Insurance Liability Program.

Budget impacts in future biennia:
The funding reductions will continue into future biennia.

Distinction between one-time and ongoing costs:
The costs are ongoing.

Effects of non-funding:
N/A

Expenditure Calculations and Assumptions:
Requested reduction was provided by the Office of Financial Management.

Object Detail	**FY 2008**	**FY 2009**	**Total**
E Goods and Services	($5,900,000)	($5,900,000)	($11,800,000)
Total	**($5,900,000)**	**($5,900,000)**	**($11,800,000)**